

FEB
28, 1966

TWENTY-NINTH ANNUAL REPORT
OF
HALLNOR MINES, LIMITED



For the Year Ended December 31st, 1965

ANNUAL MEETING

APRIL 14th, 1966 — 10:30 a.m. (Toronto Time)

SUITE 1700 — 44 KING STREET WEST

HALLNOR MINES, LIMITED

Executive Office: Suite 1700 — 44 King Street West, Toronto 1
Incorporated under the laws of Ontario

CAPITAL:

Authorized and Issued
2,000,000 Shares of the Par Value of \$1.00 each

DIRECTORS:

W. G. BRISSENDEN	Toronto
R. V. PORRITT	Toronto
W. S. ROW	Toronto
D. E. G. SCHMITT	Toronto
J. H. STOVEL	Toronto

OFFICERS:

R. V. PORRITT	<i>President</i>
W. S. ROW	<i>Vice-President</i>
R. C. ASHENHURST	<i>Secretary</i>
E. K. CORK	<i>Treasurer</i>

GENERAL MANAGER:

D. E. G. SCHMITT

TRANSFER AGENT AND REGISTRAR:

EASTERN & CHARTERED TRUST COMPANY
Toronto

BANKERS:

THE BANK OF NOVA SCOTIA

HALLNOR MINES, LIMITED

Directors' Report to the Shareholders

EARNINGS PER SHARE

	1965	1964
Operating Profit	13.5¢	2.3¢
E.G.M.A. Credit	8.1	11.6
Investment Income	21.6¢	13.9¢
	13.3	10.0
Income and Production Taxes	34.9¢	23.9¢
	9.3	4.3
	25.6¢	19.6¢

Dividends totalling 16¢ per share were paid during the year, the same as in the previous four years. A dividend of 4¢ per share has been declared payable March 1, 1966, which will bring the total dividends paid to \$7.29 per share or \$14,580,000.

The milling rate was 27 tons per day higher than during 1964 and unit costs were comparable. Higher grade ore resulted in the highest recovery of gold since 1958 but this was partially offset by reduced credits under The Emergency Gold Mining Assistance Act.

Stoping in the No. 3 shaft area was satisfactory and confirmed the earlier estimates of tonnage and grade in the 19 Vein. After milling 131,375 tons of ore during 1965, the proven reserves were reduced by some 60,000 tons to 233,900 tons with grade of 0.41 oz. gold per ton.

Labour turnover continued high with a shortage of experienced replacements. As in 1964, unusual activity in construction and mining exploration in the Timmins area contributed to the labour shortage.

Your Directors extend their appreciation of the loyal and able services rendered during the year by the Managers, the staff and employees. Mr. J. M. Gordon, Manager since 1962, resigned on December 1st to assume another appointment. Mr. W. J. Marshall, who was the Hallnor Manager from 1952 to 1961, and since then has been Manager of Pamour Porcupine Mines, Limited, has replaced Mr. Gordon at Hallnor and will continue as Manager of these two adjacent operations.

On behalf of the Board,

R. V. PORRITT,

President.

Toronto, Ontario,
February 2, 1966.

HALLNOR MINES, LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT DECEMBER 31, 1965

		1964 comparative figures
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$1,937,404	\$1,252,074
Bullion	97,786	109,791
Marketable investments — at cost (quoted market value \$1,308,577)	1,107,628	1,314,472
Accounts, notes, interest and dividends receivable	11,922	9,345
Receivable under The Emergency Gold Mining Assistance Act	90,518	118,069
	3,245,258	2,803,751
INVESTMENTS — at cost, less amounts written off		
Bonds and shares — Associated and affiliated companies (quoted market value \$2,988,210)	2,177,131	2,209,298
DEFERRED AND PREPAID ITEMS:		
Shaft preparation and sinking — at cost, less amounts written off	113,070	254,750
Stores — at cost	214,900	208,919
Miscellaneous	6,311	4,036
	334,281	467,705
FIXED ASSETS:		
Mine properties — at cost	362,500	362,500
Plant, buildings, equipment and townsite — at cost	1,486,927	1,475,658
Accumulated depreciation	1,361,039	1,328,408
	125,888	147,250
	<u>\$6,245,058</u>	<u>\$5,990,504</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 159,531	\$ 156,006
Taxes payable	250,325	83,200
	409,856	239,206
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS	105,000	213,200
CAPITAL STOCK AND SURPLUS:		
Capital stock —		
Authorized, issued and fully paid —		
2,000,000 shares of \$1 each	2,000,000	2,000,000
Discount thereon	662,500	662,500
	1,337,500	1,337,500
Earned surplus —		
Balance — Beginning of year	4,200,598	3,004,458
Net profit for the year	512,104	391,804
Profit on disposal of shares in affiliated companies	—	1,124,336
	4,712,702	4,520,598
Less: Dividends	320,000	320,000
	4,392,702	4,200,598
	5,730,202	5,538,098
	<u>\$6,245,058</u>	<u>\$5,990,504</u>

Signed on behalf of the Board:

R. V. PORRITT, Director.

W. S. ROW, Director.

HALLNOR MINES, LIMITED

STATEMENT OF OPERATIONS For the Year Ended December 31, 1965

		1964 comparative figures
REVENUE:		
Metal production	\$2,009,469	\$1,609,898
Income from investments —		
Dividends — Associated and affiliated companies	120,000	156,465
Other dividends and interest earned	120,096	35,507
Profit on sale of investments	25,588	7,915
	2,275,153	1,809,785
EXPENSE:		
Cost of metal production, including mining, milling, delivery and mint charges	1,530,877	1,423,623
Administrative and general expenses	31,856	31,605
Depreciation	33,534	32,631
Development costs written off	141,680	76,122
	1,737,947	1,563,981
Less: Recoverable under The Emergency Gold Mining Assistance Act	161,198	232,000
	1,576,749	1,331,981
	698,404	477,804
Provided for income and production taxes	186,300	86,000
NET PROFIT FOR THE YEAR	\$ 512,104	\$ 391,804

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Hallnor Mines, Limited as at December 31, 1965 and the statement of operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of operations present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 2, 1966.

McDONALD, CURRIE & CO.,
Chartered Accountants.

HALLNOR MINES, LIMITED

Manager's Report

The President and Directors:

This report covers operations for the year 1965.

UNDERGROUND:

On the 23rd (3,500') level two drifts were extended 1,220 feet in the east part of the mine to permit further investigation of a low grade zone indicated by diamond drilling from the 22nd (3,350') level last year.

On the 25th (3,850') and 26th (4,000') levels crosscuts were extended to open up the north limb of 19 Vein and to provide a base for diamond drilling an indicated flat extension of this structure to the north.

On the 28th (4,300') level lateral headings were advanced 1,370 feet to provide drilling stations for exploration at depth.

Diamond drilling totalled 32,280 feet in 152 holes; 8,990 feet for stope outline and control; 1,450 feet for domestic water supply, drainage and backfill and 21,840 feet for exploration below the 28th level. To date the deep drilling has indicated favourable structure with erratic values.

DEVELOPMENT SUMMARY

	Feet of Advance	
	1965	1964
Drifts and Crosscuts	3,660	2,370
Raises	820	—
Stope Preparation	5,480	6,350
Diamond Drilling	32,280	27,370

Stoping:

Ore broken in stopes amounted to 122,600 tons and 121,000 tons were trammed. The broken ore reserve at the year end was 8,100 tons. Tonnage hoisted from below the 22nd level amounted to 68% of the total.

The hydraulic fill system provided some 28,550 tons of classified mill tailings to the lower section of the mine. In addition, 9,520 tons of sand backfill was placed in the upper level stopes.

A tabulation of ore production by levels for the year 1965, and since production commenced in June 1936, follows:

Level	Below Surface Feet	1965 Tons	Total 1936 to 1965
1st to 8th	1,400	20,580	2,545,120
18th	2,750	455	25,635
19th	2,900	15,870	222,535
20th	3,050	—	128,090
21st	3,200	1,915	40,605
22nd	3,350	—	11,260
23rd	3,500	7,550	33,115
24th	3,700	31,350	58,580
25th	3,850	16,720	29,990
26th	4,000	26,580	38,290
Stoping Total		121,020	3,133,220
Development		12,180	226,255
		<u>133,200</u>	<u>3,359,475</u>

MILL:

The mill was in continuous operation throughout the year. The primary ball mill operated 97.3% of the possible running time and averaged 360 tons per day compared to 333 tons per day in 1964.

Ore treated was 131,375 tons averaging 0.41 oz. of gold per ton and recovery was 97.9%. Production amounted to 53,130 ounces of gold and 2,860 ounces of silver.

To December 31, 1965, the mill had treated 3,355,000 tons of ore yielding 1,321,000 fine ounces of gold and 99,000 fine ounces of silver, having a combined value of \$48,217,100.

ORE RESERVES:

At January 1st	1965		1966	
	Tons	Gold Oz./Ton	Tons	Gold Oz./Ton
Above 8th level	19,900	0.22	16,800	0.20
18th to 22nd level	33,600	0.32	26,000	0.32
Below 22nd level	240,000	0.43	191,100	0.44
Totals	<u>293,500</u>	<u>0.40</u>	<u>233,900</u>	<u>0.41</u>

GENERAL:

I wish to express my appreciation to B. A. Thomson, Mine Superintendent; C. C. Campbell, Mill Foreman; W. G. Howie, Accountant; R. Charron, Maintenance Supervisor; R. R. McNeil, Chief Assayer, and their staffs for the loyal and efficient service they have rendered during the past year. I also wish to thank the President, Directors and senior operating staff for their assistance.

Respectfully submitted,

Pamour, Ontario,
January 28, 1966.

W. J. MARSHALL,
Manager.

